

108TH CONGRESS
1ST SESSION

H. R. 261

To amend the Internal Revenue Code of 1986 to allow residents of States with no income tax a deduction for State and local sales taxes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 8, 2003

Mr. COOPER (for himself, Mr. GORDON, Mr. TANNER, and Mr. DAVIS of Tennessee) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow residents of States with no income tax a deduction for State and local sales taxes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Stop Discrimination
5 Against Seven States Act of 2003”.

1 **SEC. 2. DEDUCTION OF STATE AND LOCAL GENERAL SALES**
2 **TAXES FOR RESIDENTS OF STATES WITH NO**
3 **INCOME TAX.**

4 (a) IN GENERAL.—Subsection (b) of section 164 of
5 the Internal Revenue Code of 1986 (relating to definitions
6 and special rules) is amended by adding at the end the
7 following:

8 “(5) GENERAL SALES TAXES.—For purposes of
9 this section—

10 “(A) DEDUCTION OF STATE AND LOCAL
11 SALES TAXES BY RESIDENTS OF STATES IMPOS-
12 ING NO INCOME TAX.—In the case of an indi-
13 vidual who is a resident for more than half of
14 the taxable year of a State which imposes no in-
15 come tax on income earned within such State
16 by residents of such State and who elects the
17 application of this paragraph, subsection (a)
18 shall be applied—

19 “(i) without regard to the reference to
20 State and local income taxes,

21 “(ii) as if State and local general sales
22 taxes were referred to in a paragraph
23 thereof, and

24 “(iii) without regard to the last sen-
25 tence.

1 “(B) DEFINITION OF GENERAL SALES
2 TAX.—The term ‘general sales tax’ means a tax
3 imposed at one rate with respect to the sale at
4 retail of a broad range of classes of items.

5 “(C) SPECIAL RULES FOR FOOD, ETC.—In
6 the case of items of food, clothing, medical sup-
7 plies, and motor vehicles—

8 “(i) the fact that the tax does not
9 apply with respect to some or all of such
10 items shall not be taken into account in
11 determining whether the tax applies with
12 respect to a broad range of classes of
13 items, and

14 “(ii) the fact that the rate of tax ap-
15 plicable with respect to some or all of such
16 items is lower than the general rate of tax
17 shall not be taken into account in deter-
18 mining whether the tax is imposed at one
19 rate.

20 “(D) ITEMS TAXED AT DIFFERENT
21 RATES.—Except in the case of a lower rate of
22 tax applicable with respect to an item described
23 in subparagraph (C), no deduction shall be al-
24 lowed under this paragraph for any general

1 sales tax imposed with respect to an item at a
2 rate other than the general rate of tax.

3 “(E) COMPENSATING USE TAXES.—A com-
4 pensating use tax with respect to an item shall
5 be treated as a general sales tax. For purposes
6 of the preceding sentence, the term ‘compen-
7 sating use tax’ means, with respect to any item,
8 a tax which—

9 “(i) is imposed on the use, storage, or
10 consumption of such item, and

11 “(ii) is complementary to a general
12 sales tax, but only if a deduction is allow-
13 able under this paragraph with respect to
14 items sold at retail in the taxing jurisdic-
15 tion which are similar to such item.

16 “(F) SPECIAL RULE FOR MOTOR VEHI-
17 CLES.—In the case of motor vehicles, if the rate
18 of tax exceeds the general rate, such excess
19 shall be disregarded and the general rate shall
20 be treated as the rate of tax.

21 “(G) SEPARATELY STATED GENERAL
22 SALES TAXES.—If the amount of any general
23 sales tax is separately stated, then, to the ex-
24 tent that the amount so stated is paid by the
25 consumer (other than in connection with the

1 consumer's trade or business) to the seller, such
2 amount shall be treated as a tax imposed on,
3 and paid by, such consumer.

4 “(H) AMOUNT OF DEDUCTION TO BE DE-
5 TERMINED UNDER TABLES.—

6 “(i) IN GENERAL.—The amount of
7 the deduction allowed under this para-
8 graph shall be determined under tables
9 prescribed by the Secretary.

10 “(ii) REQUIREMENTS FOR TABLES.—
11 The tables prescribed under clause (i)—

12 “(I) shall reflect the provisions of
13 this paragraph,

14 “(II) shall be based on the aver-
15 age consumption by taxpayers on a
16 State-by-State basis, as determined by
17 the Secretary, taking into account fil-
18 ing status, number of dependents, ad-
19 justed gross income, and rates of
20 State and local general sales taxation,
21 and

22 “(III) need only be determined
23 with respect to adjusted gross incomes
24 up to the applicable amount (as deter-
25 mined under section 68(b)).”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this Act.

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